

# Chicago Engineers' Foundation of the Union League Club

Financial Statements

Years ended May 31, 2017 and 2016



**WIPFLi**<sup>LLP</sup>  
CPAs and Consultants

# Chicago Engineers' Foundation of the Union League Club

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## **Independent Auditor's Report**

To the Board of Directors  
Chicago Engineers' Foundation of the Union League Club  
Chicago, Illinois

We have audited the accompanying financial statements of Chicago Engineers' Foundation of the Union League Club (a nonprofit organization), which comprise the statement of financial position as of May 31, 2017 and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chicago Engineers' Foundation of the Union League Club at May 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

**Prior Period Financial Statements**

The financial statements of Chicago Engineers' Foundation of the Union League Club as of May 31, 2016, were audited by Kessler, Orlean, Silver & Company, P.C. which combined its practice with Wipfli LLP as of January 1, 2018 and whose report dated September 8, 2017 expressed an unmodified opinion on those statements.

*Wipfli LLP*

**Wipfli LLP**

September 28, 2018  
Deerfield, Illinois

# Chicago Engineers' Foundation of the Union League Club

## Statements of Financial Position

For the Years Ended May 31, 2017 and 2016

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	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 75,071	\$ 92,000
Contributions Receivable	19,514	10,650
Accounts Receivable	<u>9,777</u>	<u>10,065</u>
Total Current Assets	<u>104,362</u>	<u>112,715</u>
<b>Long Term Assets</b>		
Investments	336,647	325,444
Long-Term Contributions Receivable	<u>8,400</u>	<u>-</u>
Total Long Term Assets	<u>345,047</u>	<u>325,444</u>
<b>Total Assets</b>	<u><u>\$ 449,409</u></u>	<u><u>\$ 438,159</u></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 29	\$ 522
Incentive Award Commitments	<u>123,800</u>	<u>126,900</u>
Total Current Liabilities	<u>123,829</u>	<u>127,422</u>
<b>Net Assets</b>		
Unrestricted		
Board Designated For Incentive Awards	293,956	293,960
Temporarily Restricted	12,000	-
Permanently Restricted	<u>19,624</u>	<u>16,777</u>
Total Net Assets	<u>325,580</u>	<u>310,737</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 449,409</u></u>	<u><u>\$ 438,159</u></u>

See accompanying notes to the financial statements.

# Chicago Engineers' Foundation of the Union League Club

## Statements of Activities and Changes in Net Assets

For the Years Ended May 31, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues and Other Support</b>								
Contributions	\$ 84,186	\$ 47,300	\$ 2,847	\$ 134,333	\$ 96,857	\$ 28,950	\$ 3,847	\$ 129,654
Special Events								
Gross Proceeds	34,714	-	-	34,714	27,747	-	-	27,747
Direct Expenses	(17,080)	-	-	(17,080)	(14,909)	-	-	(14,909)
Interest and Dividend Income	6,683	-	-	6,683	5,879	-	-	5,879
In-Kind Contributions	9,983	-	-	9,983	4,060	-	-	4,060
Net Assets Released From Restriction	35,300	(35,300)	-	-	28,950	(28,950)	-	-
Total Revenues and Other Support	153,786	12,000	2,847	168,633	148,584	-	3,847	152,431
<b>Expenses</b>								
Incentive Awards	123,800	-	-	123,800	126,900	-	-	126,900
Management and General	59,364	-	-	59,364	52,471	-	-	52,471
Total Expenses	183,164	-	-	183,164	179,371	-	-	179,371
<b>Change in Net Assets Before Non-Operating Activities</b>	(29,378)	12,000	2,847	(14,531)	(30,787)	-	3,847	(26,940)
<b>Non-Operating Activities</b>								
Gain (Loss) on Marketable Securities	29,374	-	-	29,374	(23,273)	-	-	(23,273)
<b>Change in Net Assets</b>	(4)	12,000	2,847	14,843	(54,060)	-	3,847	(50,213)
<b>Net Assets at Beginning of Year</b>	293,960	-	16,777	310,737	348,020	-	12,930	360,950
<b>Net Assets at End of Year</b>	\$ 293,956	\$ 12,000	\$ 19,624	\$ 325,580	\$ 293,960	\$ -	\$ 16,777	\$ 310,737

See accompanying notes to the financial statements.

# Chicago Engineers' Foundation of the Union League Club

## Statements of Cash Flows

For the Years Ended May 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 14,843	\$ (50,213)
<u>Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities</u>		
Contributions Restricted for Endowment	(2,847)	(3,847)
(Gain) Loss on Marketable Securities	(29,374)	29,323
(Increase) Decrease in Operating Assets:		
Contributions Receivable	(17,264)	6,430
Accounts Receivable	288	16,579
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(493)	81
Incentive Award Commitments	(3,100)	8,600
Total Adjustments	<u>(52,790)</u>	<u>57,166</u>
Net Cash Provided (Used) by Operating Activities	<u>(37,947)</u>	<u>6,953</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from Sale of Investments	56,759	10,000
Investments Purchased	<u>(38,588)</u>	<u>(9,492)</u>
Net Cash Provided by Investing Activities	<u>18,171</u>	<u>508</u>
<b>Cash Flows from Financing Activities</b>		
Contributions Restricted for Endowment	<u>2,847</u>	<u>3,847</u>
<b>Net Increase (Decrease) in Cash</b>	(16,929)	11,308
<b>Cash, Beginning of Year</b>	<u>92,000</u>	<u>80,692</u>
<b>Cash, End of Year</b>	<u><u>\$ 75,071</u></u>	<u><u>\$ 92,000</u></u>

See accompanying notes to the financial statements.

# Chicago Engineers' Foundation of the Union League Club

## Notes to Financial Statements

For the Years Ended May 31, 2017 and 2016

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### Note 1 – Summary of Significant Accounting Policies

#### Organization

The Chicago Engineers' Foundation of the Union League Club (CEF) was established in 1963 to encourage Chicago's young people to pursue careers in engineering. CEF's primary activity is an annual incentive award program for students who live in the city of Chicago or have graduated from high schools in Chicago and who are admitted to accredited college or university engineering programs. CEF also cooperates with local engineering societies, Chicago public schools and private high schools and various student organizations to promote and encourage study in engineering fields.

#### Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles for not-for-profit organizations.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Cash

CEF considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash at May 31, 2017 and 2016 consist of bank checking account and money market funds. There were no cash equivalents at May 31, 2017 and 2016.

#### Contributions Receivable

Contributions are recognized when the donor makes a promise to give to CEF that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions that are expected to be collected within one year as of May 31, 2017 and 2016 were \$19,514 and \$10,650, respectively. Contributions that are expected to be collected in one to five years as of May 31, 2017 and 2016 were \$8,400 and \$0, respectively. No provisions for uncollectible amounts are necessary.

#### Accounts Receivables

Accounts receivables consist of 1) donations from members of the Union League Club of Chicago (ULCC), which the ULCC collects on behalf of CEF and remits 1-3 months after members' billing and 2) amounts collected from web site solicitations through PayPal. Amounts due from ULCC as of May 31, 2017 and 2016 were \$9,777 and \$8,256, respectively. No provisions for uncollectible amounts are necessary.



# Chicago Engineers' Foundation of the Union League Club

## Notes to Financial Statements

For the Years Ended May 31, 2017 and 2016

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### Note 1 – Summary of Significant Accounting Policies (Continued)

#### Investments

Investments are stated at their fair values. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Interest and dividends are recognized in the period they are earned as unrestricted net assets unless restricted by the donor or by law.

#### Fair Value Measurements

CEF values certain assets and liabilities in accordance with provisions of the Fair Value Measurements and Disclosures Topic 820 of the FASB which establishes a framework for measuring fair value.

That framework defines fair value as the exchange price that would be received for an asset or paid for a liability in an orderly transaction between market participants on the measurement date. The framework also provides a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Level 1 investments are at quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 investments are for inputs other than quoted prices include within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 investments are for unobservable inputs for the asset or liability.

CEF uses no Level 2 or 3 inputs. All investments are valued on Level 1 inputs.

#### Fair Value Disclosures

Certain financial instruments are not measured at fair value on a recurring basis but are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include: cash and cash equivalents, account receivables, contributions receivable, accounts payable and incentive award commitments.

#### Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes would be reported as temporarily restricted or permanently restricted support that would increase those net asset classes. Contributions that are restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the contributions are made.

#### Donated Services

Donated services are recognized if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by CEF. Donations for use of facilities and temporary staffing are recorded as contributions at their estimated fair market value at date of donation.

# Chicago Engineers' Foundation of the Union League Club

## Notes to Financial Statements

For the Years Ended May 31, 2017 and 2016

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### Note 1 – Summary of Significant Accounting Policies (Continued)

#### Income Taxes

CEF is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. CEF received a 60 month advance ruling from the IRS beginning June 1, 2014, to be treated as a public charity. Grantors and donors may rely upon this determination that CEF is not a private foundation during this advanced ruling period. There was no unrelated business income nor unrecognized tax benefits for the years ended May 31, 2017 and 2016. Each of CEF's prior three year's information returns remain subject to examination by the Internal Revenue Service. There was no interest or penalties relating to income taxes recognized in the statement of activities. Management does not believe that its financial statements include uncertain tax positions.

#### Subsequent Events

The financial statements were available to be issued on September 28, 2018 with subsequent events evaluated through this date. No subsequent events require disclosure.

#### Recently Issued Accounting Standards

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB ASC Topic 605, Revenue Recognition, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic entities for annual periods beginning after December 15, 2018. CEF is currently evaluating the impact of the provisions of ASC 606.

On August 18, 2016, the FASB issued ASU 2016-14 (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (“Update”). The Update reduces the number of net asset classes from three to two, those with donor restrictions and those without, requires all nonprofit organizations to report expenses by nature and function and improves information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance, and cash flows. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application of the amendments in this Update is permitted. CEF is currently in the process of determining the impact of the new standard, and has not elected to early implement the amendments.

### Note 2 – Incentive Award Commitments

Incentive award commitments and related expense consist of college scholarships granted by CEF to Chicago area students with career aspirations in the engineering field. At and for the year ended May 31, 2017 and 2016, Incentive award commitments and related expense were \$123,800 and \$126,900, respectively.

# Chicago Engineers' Foundation of the Union League Club

## Notes to Financial Statements

For the Years Ended May 31, 2017 and 2016

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### Note 3 - Net Assets

CEF classifies its net assets' into three categories:

Unrestricted net assets include all of the unrestricted support and revenue of CEF, all of the expenses of CEF, and transfers of temporarily restricted net assets for reimbursement of expenditures that meet the restrictions of the donors.

Temporarily restricted net assets include all the restricted support and revenue of CEF. Transfers are made from this fund to unrestricted net assets as expenditures are incurred which meet the restrictions of the donors. At May 31, 2017 and 2016, temporarily restricted net assets were \$12,000 and \$0, respectively.

Permanently restricted net assets include funds received from donors with the stipulation that they be permanently retained by CEF in perpetuity and that only the income and/or use of the assets are available to CEF. At May 31, 2017 and 2016, permanently restricted net assets were \$19,624 and \$16,777, respectively.

### Note 4 - Board Designated Endowment Fund

In May 2011, the CEF Board established an endowment fund with initial assets of \$250,000 for the purpose of enhancing funding for its annual incentive awards. The Board also adopted investment and spending policies for endowment assets intended to provide sufficient real returns over the business cycle to contribute additional funding for the annual incentive award program and grow the investment base of the endowment assets over the long term.

#### Interpretation of Relevant Law

The Board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by Illinois, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. As a result of this interpretation, CEF classifies as permanently restricted net assets the original value of the gifts donated to the permanent endowment adjusted for any market fluctuations to comply with donor stipulations.

### Note 5 - Investments

The investments itemized below are considered Level 1 investments which are measured at fair value using the market approach. The market approach values assets at quoted prices in active markets for identical assets.

# Chicago Engineers' Foundation of the Union League Club

## Notes to Financial Statements

For the Years Ended May 31, 2017 and 2016

### Note 5 – Investments (Continued)

Investments consist primarily of the following at May 31:

	2017		
	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain (Loss)</u>
Money Market Funds	\$ 51,679	\$ 51,679	\$ -
Equity Mutual Funds	169,552	196,450	26,898
Fixed Income Mutual Funds	78,598	75,912	(2,686)
Real Estate Mutual Funds	12,040	12,606	566
Total	<u>\$ 311,869</u>	<u>\$ 336,647</u>	<u>\$ 24,778</u>

Investments consist primarily of the following at May 31:

	2016		
	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain (Loss)</u>
Money Market Funds	\$ 50,863	\$ 50,863	\$ -
Equity Mutual Funds	184,481	186,471	1,990
Fixed Income Mutual Funds	78,603	75,194	(3,409)
Real Estate Mutual Funds	12,000	12,916	916
Total	<u>\$ 325,947</u>	<u>\$ 325,444</u>	<u>\$ (503)</u>

### Note 6 - In-Kind Donations

CEF receives donated facilities and utilities from the ULCC. The estimated annual fair market value of the donated rent and utilities is \$1,000 each year. For the years ended May 31, 2017 and 2016, CEF received donated services from a temporary staffing agency with an estimated fair market value of \$1,575 and \$3,060, respectively. For the years ended May 31, 2017 and 2016, CEF received donated marketing services from a marketing company owned by a Board member with an estimated fair market value of \$7,408 and \$0, respectively. All donated services are reflected in the accompanying financial statements as both revenue and expense.

# **Chicago Engineers' Foundation of the Union League Club**

## **Notes to Financial Statements**

**For the Years Ended May 31, 2017 and 2016**

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### **Note 7 – Reclassifications**

Certain amounts in the prior year have been reclassified to conform to current year presentation. The reclassifications primarily relate to realized and unrealized gains and losses from marketable securities that were stated separately as of May 31, 2016.